

REMARKS

In reply to the Final Office Action dated July 9, 2003, Applicants have cancelled non-elected claims 5-7, 11, 12, and 18-35 without prejudice or disclaimer of their subject matter. Claims 8-10, 15-17, and 36 are currently pending.

In the Final Office Action, the Examiner entered Applicants' provisional election of Group II, claims 8-10, 15-17, and 36, and maintained the restriction requirement despite Applicants' traversal.

Also, the Examiner rejected claims 8, 15, 17, and 36¹ under 35 U.S.C. 103(a) as being unpatentable over U.S. Patent No. 6,360,210 B1 to Wallman ("*Wallman*") and rejected claims 9, 10, and 16 as being unpatentable over *Wallman* in view of U.S. Patent No. 6,167,384 to Graff ("*Graff*"). The Examiner considered moot Applicants' arguments in the Amendment filed January 29, 2003, in view of the new *Wallman* rejections.

Wallman and *Graff* Do Not Teach or Suggest All the Recited Features

To establish a *prima facie* case of obviousness under 35 U.S.C. § 103, the Examiner must demonstrate that (1) the cited references disclose or suggest each and every limitation recited in the claims; (2) there is a reasonable probability of success in modifying the teachings of *Wallman* in view of *Graff*; and (3) there exists some suggestion or motivation, either in the teachings of the cited references, or in the knowledge generally available to one of ordinary skill in the art, to make such a modification in a manner resulting in the claimed invention. See MPEP § 2143.

¹ Part 3 of the Final Office Action (on page 2) states that "[c]laims 8-10, 15-17, and 36 are rejected under 35 U.S.C. 103(a) as being unpatentable over *Wallman*." Applicants believe, however, that claims 9, 10, and 16 were included in this list by mistake because claims 9, 10, and 16 are not addressed in part 3, but they are addressed separately in part 4, on pages 4-5.

Furthermore, each of these requirements must be found in the prior art—not based on Applicants' own disclosure. In this response, Applicants traverse the Examiner's rejections of claims 8-10, 15-17, and 36, because *Wallman* and *Graff*, whether taken alone or in combination, do not disclose or suggest each and every feature recited in these claims.

Specifically, claim 8 recites a method for issuing a guarantee certificate, which is a financial instrument representing an obligation of a first party to make a payment triggered by certain events associated with the payment obligation to a second party, the method comprising the steps of pooling, into a reference pool, instruments representing payment obligations; identifying and segregating cash flows paid to satisfy the payment obligations triggered by certain events for the instruments in the reference pool; and issuing a guarantee certificate to entitle a holder of the certificate to receive at least one payment from the identified and segregated cash flows.

Wallman does not teach or suggest many of these recited features. Among other things, *Wallman* does not teach identifying and segregating cash flows paid to satisfy the payment obligations triggered by certain events for the instruments in the reference pool. Instead, *Wallman* teaches a technique for limiting the downside risk to the direct asset value of a portfolio of securities for a small investor. (See, e.g., col. 1, lines 21-25; col. 5, lines 52-57; col. 6, lines 14-19.) Specifically, *Wallman* teaches a method for providing an investor-selectable degree of market risk protection that ranges from full protection of the direct asset value of the stocks underlying the portfolio (no decrease in the portfolio value from the current value) to partial protection of the underlying stocks' direct asset value (no more than a specified decrease in the portfolio value, e.g., -10%)

FINNEGAN
HENDERSON
FARABOW
GARRETT &
DUNNER LLP

1300 I Street, NW
Washington, DC 20005
202.408.4000
Fax 202.408.4400
www.finnegan.com

to indexed protection of the stocks' asset value (e.g., no decrease in the portfolio value beyond a decrease related to the value of a selected index, such as the S&P 500 stock index). (See, e.g., col. 6, line 47 - col. 7, line 19; col. 10, lines 15-54.) A customized group of securities could also be used to measure relative performance in place of an index. (Col. 6, lines 63-65.) A small investor pays for *Wallman's* market risk protection for a specified "shield period," and if the direct value of the stocks in the portfolio is below the purchased risk-protection level at the end of the shield period, then the investor is paid the amount necessary to bring the portfolio's asset value up to the shielded protection level at that time. (See, e.g., col. 7, lines 2-13; col. 9, lines 8-16; col. 11, lines 7-12.)

Wallman discloses that an investor is paid at the end of the investor-specified shield period based on the market value of the shielded portfolio. (E.g., col. 6, lines 30-33; col. 10, lines 17-19; col. 10, line 66-67; col. 11, lines 48-67.) Claim 8, on the other hand, recites "cash flows paid to satisfy the payment obligations triggered by certain events," from which a holder of the certificate "receive[s] at least one payment." For example, in one embodiment consistent with the invention, a certificate holder is entitled to a payment every time a triggering event occurs for the instruments in the reference pool, such as foreclosure on a property backing a guaranteed mortgage instrument in the reference pool, loan delinquency associated with a mortgage instrument in the pool, or liquidation of a property backing a mortgage instrument in the pool. (See, e.g., application, page 3, lines 16-21.) *Wallman's* single end-of-period shield payment is not "triggered by certain events" such as these because it is predefined and specified by the user to occur at the end of the shield period. (E.g., col. 6, lines 30-31; col. 8, lines 15-

17; col. 10, lines 17-19.) *Wallman's* payment is based solely on the market value change in a specified asset--the shielded portfolio; thus, it is not triggered by certain events, such as a mortgage delinquency that is unrelated to the market value of the instruments in the pool. Naturally, because *Wallman* does not teach or suggest "cash flows paid to satisfy the payment obligations triggered by certain events," it cannot teach or suggest identifying and segregating those cash flows or issuing a guarantee certificate to entitle a holder of the certificate to receive at least one payment from the identified and segregated cash flows, as recited in claim 8.

The same holds true with respect to claim 15, which recites an obligation of a first party to make a payment triggered by certain default-related events involving a loan to a second party and determining a payout formula based on the obligation triggered by certain default-related events involving the loans in the reference pool. *Wallman's* disclosure of a hypothetical group of securities used to measure relative performance of a portfolio and payment at the end of a shield period teaches nothing related to payments triggered by certain default-related events involving loans.

Similarly, *Wallman* does not teach or suggest pooling, into a reference pool, instruments representing payment obligations, and issuing a guarantee certificate, which is a financial instrument representing an obligation of a first party to make a payment triggered by certain events associated with the payment obligation to a second party, as recited in claim 8.

Moreover, *Graff*, which teaches decomposing, based on temporal factors, a real property interest into an estate for years component that entitles the holder to the property's lease income (rent) for a term of years and a remainder equity interest

component that generally entitles the holder to all the property's interests after the estate for years term expires and selling the components to investors as financial products, also does not teach or suggest the features recited in claims 8 and 15.

Wallman Does Not Teach or Suggest a Reference Pool

Discussing claim 8 in the Final Office Action, the Examiner asserted that "the customized group of securities [disclosed by *Wallman*] includes a reference pool." (Final OA, page 3.) This assertion is erroneous because the customized group of securities taught by *Wallman* is not a pool of actual instruments that generates cash flows as recited in claim 8. Instead, *Wallman*'s group of securities is merely a hypothetical group of securities that is used to compare the relative performance of an investor's actual portfolio. (Col. 6, lines 61-65.) Among other differences, *Wallman*'s hypothetical group of securities does not generate cash flows that can be segregated and paid to a certificate holder as recited in claim 8. The disclosed group of securities is merely hypothetical, and even if it were not, it would still not generate payments triggered by certain events, as explained above.

With respect to claim 15, the Examiner asserted that "the customized group of securities [disclosed by *Wallman*] includes a reference pool of loans." (Final OA, page 3.) This assertion is also erroneous for the same reason just given. In addition, although *Wallman* makes a single mention of "debts" as an asset or liability (col. 14, lines 55-62), there is no disclosure of payment obligations triggered by default-related events involving a loan, as recited in claim 15.

For at least the foregoing reasons, *Wallman* and *Graff* fail to disclose each and every element recited in independent claims 8 and 15, and therefore a *prima facie* case

of obviousness under 35 U.S.C. § 103 has not been established for these claims. Accordingly, Applicants respectfully request that the Examiner withdraw the 35 U.S.C. § 103 rejections of these claims. Applicants further submit that claims 9, 10, 16, 17, and 36, which depend from claims 8 and 15, are also allowable. Accordingly, Applicants respectfully request that the Examiner withdraw the 35 U.S.C. § 103 rejections of all these claims.

As Applicants' representative expressed in a recent voicemail message left with the Examiner, Applicants would like to schedule an in-person interview with the Examiner to discuss this case, preferably during the last week of October. Applicants' undersigned representative can be contacted at 571-203-2748.

Please grant any extensions of time required to enter this response and charge any additional required fees to our deposit account 06-0916.

Respectfully submitted,

FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, L.L.P.

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By: William J. Brogan
William J. Brogan
Reg. No. 43,515

FINNEGAN
HENDERSON
FARABOW
GARRETT &
DUNNER LLP

1300 I Street, NW
Washington, DC 20005
202.408.4000
Fax 202.408.4400
www.finnegan.com